

INTRODUCTION

Rhode Island Energy Plan 2002 has been adopted to help Rhode Island determine how best to meet its future energy production and consumption needs. The plan provides information and a framework for discussion by identifying Rhode Island's key energy issues and setting forth policies and actions to deal with them. The objective is a reliable, low-cost and environmentally benign supply of energy, to support economic growth and safeguard consumers from supply disruptions.

By passing the Energy Policy Act of 1992, congress voted to grant the states the power to create competitive markets for electricity generation, resulting in the electric industry changing from regulated, local monopolies providing all electric services, into a network of competitive companies providing electricity. The utilities are providing transmission and distribution of services. By increasing competition among suppliers, electricity deregulation was expected to lower energy prices and allow more efficient operation

Beginning in 1996, Rhode Island and Arizona, Arkansas, California, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Virginia, and West Virginia opened their electric industries to retail competition. These states are finding that deregulation is not always lead to lower prices. For example, in the summer of 2001 Rhode Island prices for electricity were higher than in the rest of the nation, but autumn prices decreased, responding to the prevailing market conditions. In California, the demand for power exceeded supply and power disruptions were common, causing energy officials nationwide to wonder whether the changing structure of the industry would affect reliability in other states. Conversely, other states were experiencing too much supply and lower rates. This demonstrated how the market works, according to supply and demand and has led to choices in the marketplace supporting energy efficiency in a variety of products, from appliances to automobiles.

Despite changes in the industry, the focus of the *Rhode Island Energy Plan* remains sharply on the security of our energy supply over the long term, in which both the private and the public sectors can play a role that has a significant impact whatever the regulatory environment. The *Plan* concentrates on policies that support the universally accepted concepts of energy conservation, efficient use, and consumer access.

Such awareness is not limited to our state or region. Higher levels of insulation in homes and more fuel-efficient cars, trucks and industrial technologies have allowed the United States to hold energy use to levels seen in

the early 1970s, while the nation's economy has expanded 40 percent. In a way, consumer awareness has itself become an important energy resource.

If patterns of energy use can be modified and our energy future influenced for the better by market factors, why, then, do we need an *Energy Plan*?

While the market will promote energy efficiency and conservation when prices are high, it may also promote decisions when prices are low that later seem more foolish than economical. Depressed petroleum prices, for example, have led to increased oil imports rather than the re-working of domestic fields, development of synthetic fuels, or the exploration of frontier areas, all of which are currently more expensive alternatives. Reliance on oil imports, however, contributes to the U.S. trade imbalance, may cost thousands of jobs in the petroleum industry, and may have dire economic consequences if the flow of imports is disrupted because of war, political unrest or international tensions. The depressed market may suddenly turn volatile, speculative and disastrous for regions of the country that do not produce their own oil.

Similarly, when the price of conventional fuels is low, the market will drive investment toward technologies using those fuels rather than to the development of renewable energy. Price alone would also encourage less environmentally friendly alternatives, such as high sulfur coal over natural gas, whenever the cost of supplying the coal is less.

Delays in the development of renewable energy may impact negatively on a society's objective to have a reliable energy "mix" and to be more sensitive to the environment in its energy use. Failure to exploit opportunities for indigenous and renewable sources of energy on a modest scale can lead to very costly alternatives that could have been avoided — such as, for example, the construction of a new power plant, or continued dependence on fossil fuels with links to acid rain and ozone.

Consequently, some of the costs to society of decisions based solely on the energy market at a given point in time may be hidden, but they are there nonetheless. Outdoor air pollution effects to human and environmental health are not easily captured in purchasing decisions. Energy planning performs the vital role of making the consumer aware of such "externalities." The need for awareness extends to state government, both as an energy consumer in its own right and as a defender of the interests of other consumers.

We must remember that the energy policies we develop for Rhode Island can have either negative or positive impacts far beyond our little state. For example, they can lead to energy consumption patterns and trends that are directly linked to climate change and poor air quality. Or, they can make the connection between reducing energy use, or promoting alternative energy uses, and the reduction of greenhouse gases and other air pollutants. This in turn may

forestall global warming, sea level rise, and the attendant harm to coastal resources and ecosystems worldwide.

Energy policies should therefore be designed to enhance economic growth, sustain environmental quality and protect public health as well as ensure reliability of supply for this and future generations. This *Energy Plan* is intended to be a suitable guide.

Rhode Island Energy Plan 2002 replaces Report No. 90, the *Rhode Island Energy Plan* (1997). The planning horizon in the new *Energy Plan* extends to the year 2020.